

## From Grantmaker to Federal Grantee: Risks and Rewards

LESSONS LEARNED FROM THE SOCIAL INNOVATION FUND

### INTRODUCTION

Government and philanthropy often share similar goals for the communities they serve, from improving education and health care to strengthening the workforce. Recognizing this, grantmakers and the federal government increasingly are exploring new ways to work together.

Working with grantmakers can help government channel public resources to issues, communities and nonprofit organizations in more strategic and more targeted ways while at the same time marshaling expanded private giving at a time of stretched public budgets. For grantmakers, government partnerships offer opportunities to draw high-level investment and visibility to favored causes and help proven programs grow.

The launch of the Social Innovation Fund and a number of other high-profile federal initiatives, such as the Investing in Innovation Fund (i3) and the Promise Neighborhoods program, has drawn new attention to the role that partnerships between government and philanthropy can play in growing impact.

As the federal government's Corporation for National and Community Service initiated its work with 11 grantmakers seeking to broaden the impact of promising nonprofit programs, the Social Innovation Fund offered a fresh perspective on what contributes to the effectiveness and success of government-grantmaker collaborations. (For more on the Social Innovation Fund, see box, page 4.)

As part of its *Scaling What Works* initiative, GEO recently spoke with representatives of three organizations that are part of the Social Innovation Fund's inaugural class of grantmaking "intermediaries." GEO wanted to find out more about their impressions of the experience — the benefits, the challenges and frustrations, and the skills and capacities they have had to develop to make the partnership work.

This guide draws on GEO's interviews to offer guidance to other grantmakers that may be thinking about participating in future rounds of the Social Innovation Fund as well as any grantmaker that is currently working with the federal government or considering doing so in the future.

# Why Apply to the Social Innovation Fund?

The grantmakers GEO spoke with identified a number of actual and potential benefits that prompted them to participate in the Social Innovation Fund.

**New resources.** The Social Innovation Fund was designed with the goal of spurring government and philanthropy to co-invest in promising programs and solutions. Other government programs, through match requirements and related strategies, are structured in a similar way to try to use public resources as leverage for generating increased private investment to address issues from education to health. While some have expressed concern that government resources sometimes “crowd out” other sources of funding, the Social Innovation Fund intermediaries GEO spoke with all said that the opportunity to increase the level of public *and* private funding for the issues they care about was a key attraction to working with the federal government.

**A higher profile.** Working as a Social Innovation Fund intermediary can draw added attention to a grantmaker’s work, its strategies and its mission, potentially attracting new partners and increased community support. “The fact that we were one of 11 intermediaries selected in the first cohort of the Social Innovation Fund has helped us in terms of being seen as a leader in the AIDS arena and in the broader fields of public health and social justice,” said Kandy Ferree, founding and former president and CEO of AIDS United.

**Expanded networks.** Participating in public-private partnerships can generate new connections to others (both inside and outside of government) who can amplify and strengthen a grantmaker’s work. In programs such as the Social Innovation Fund, the government works with a number of grantmakers and other organizations that share similar priorities and goals. The Social Innovation Fund actively encourages collaboration and cross-fertilization among its grantees, providing grantmakers with opportunities to find new allies and new ways to broaden their impact on social problems.

**Greater impact.** The Social Innovation Fund is explicitly designed to help grow the impact of successful nonprofits and proven solutions. Venture Philanthropy Partners, for example, is using the Social Innovation Fund opportunity to create a network of effective nonprofits that can collaboratively address the education and employment needs of low-income young people in the Washington, D.C. region. “In order to create the change we want to see in children’s lives, it is going to take more than individual nonprofits working in isolation,” said VPP Vice President Victoria Vrana. Working with the Social Innovation Fund, she added, is allowing VPP and its partners to “think bigger” about how they can achieve their goals.

**Increased capacity.** Preparing for and administering a Social Innovation Fund government grant can help grantmakers take their work to another level as they develop and enhance their capacities in key areas from evaluation and communications to collaboration. For REDE, working with the Social Innovation Fund allowed the grantmaker to broaden its grant application process. “We have always had a small staff and didn’t feel we were capable of opening up and fielding applications from a wider range of organizations,” said Managing Director of Programs Cynthia Gair. Now, in order to meet the goals it set for itself and for the Social Innovation Fund, REDE has developed an online application process that Gair calls “amazingly effective and efficient.”

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## A note about the terminology in this document:

Grantmakers participating in the Social Innovation Fund are referred to as “intermediaries” or as “grantees.” Nonprofits receiving funds from the intermediaries in support of their Social Innovation Fund programs are referred to as “subgrantees.”

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# Advice for Grantmakers

At the same time that they saw clear benefits in joining with the federal government to support innovative solutions, the Social Innovation Fund intermediaries freely acknowledged that the work posed its share of challenges.

*How can grantmakers prepare for these challenges and make the most of their participation in the Social Innovation Fund?* GEO's interviews surfaced a number of tips and words of advice, including:

**Remember your mission.** Among the grantmakers GEO interviewed, the key consideration for their boards as they were weighing whether or not to apply to the Social Innovation Fund was that the work should advance their mission. For each of these grantmakers, participating in the Social Innovation Fund fit squarely into their long-range hopes and plans.

"This opportunity fit very well with our five-year strategy to go to scale with a set of practices we were already working on," said REDF President Carla Javits. Vrana added, "It was important to our board and staff leaders to make sure we were doing this solely to support the next phase of our work."

**Get outside advice.** What should a grantmaker be thinking about as it considers the opportunity to become a Social Innovation Fund intermediary? How can it best prepare for the requirements associated with receiving government grants? Participating in the Social Innovation Fund can raise many questions for grantmakers. For those that do not have much, if any, experience working with the federal government (and even for many that do), it can be helpful to solicit external advice.

In the course of completing its application for the Social Innovation Fund, VPP sought help and advice from a legal and accounting firm that had extensive experience working with federal contractors. "That was an opportunity for me to find out more about what I needed to know and how I could prepare for this work," commented VPP Chief Operating Officer Eleanor Rutland. Another potential resource in addition to paid consultants is other grantmakers that have received federal government grants.

**Assess your capacity in key areas.** An important question for grantmakers that are interested in the Social Innovation Fund to consider is whether they currently have the staff resources and the organizational infrastructure to engage in this work. Acting as a federal government grantee can place new demands on grantmakers in areas from accounting and auditing to communications and evaluation. Many of the requirements stem from the government's need to ensure that public funds are spent wisely and go to legitimate project costs.

"It's everything from staff time sheets to the way you handle travel reimbursements. All the rules and regulations add up and you have to be prepared," said VPP Partner Marc Schindler.

"We were quite well prepared in some areas but in others it's been an uphill climb," added Gair.

Grantmakers should be sure to budget for additional staffing and outside consulting support where needed to strengthen their capacities. In addition, grantmakers should consider how to help nonprofit subgrantees prepare for the demands associated with a federal grant. "Many of these organizations will not have a history of working with the federal government, so you need to think about their capacity needs," said Ferree. She suggested that grantmakers consider adding a line item for technical assistance and capacity-building support for subgrantees.

**Consider all potential costs.** The costs associated with working as a Social Innovation Fund intermediary can be substantial. From conference calls and meetings to added reporting requirements, it can be hard to estimate the full costs of this work up front. In the course of applying for government funds, grantmakers should therefore make every effort to consider the full range of potential costs.

How much time will this work require of the organization's senior leaders? Does the organization need additional staffing or infrastructure (e.g., technology) in order to be able to meet the reporting and other requirements of the grant? How much travel will be involved — and who will do the traveling?

One can never think of everything, but to the extent that a grant application reflects the full costs of this work, it will reduce unpleasant surprises down the line. In addition, grantmakers should keep in mind the specific areas where federal government funds *cannot* be used, including fundraising and policy advocacy.

**Be ready to go.** The pace of working with government can in many instances be significantly slower than many grantmakers are used to; government processes and policies related to transparency, accountability and other issues can add to the time it takes to do everything from vetting a subgrantee organization to issuing a press release.

However, each of the grantmakers GEO spoke with noted the short ramp-up and tight timelines associated with their work with the Social Innovation Fund. Within six months of receiving their awards, for example, eight of the 11 original Social Innovation Fund intermediaries had to design and complete open, competitive processes to select nonprofit subgrantees.

“Things get going fast,” said Ferree. “You have to be ready from day one with the infrastructure and the systems to do this work.”

Grantmakers should consider steps they can take even before receiving a federal grant to strengthen capacity in key areas. For example, those that typically do not take unsolicited requests for funding might consider running a small competitive process so they are comfortable with the level of transparency required to administer an open proposal process.

## About the Social Innovation Fund

The Social Innovation Fund is an initiative of the federal government's Corporation for National and Community Service that improves the lives of people in low-income U.S. communities. Through an innovative public-private partnership, the Social Innovation Fund and selected local and national grantmakers co-invest in programs that increase the scale of community-based solutions that have evidence of real impact in the areas of youth development, economic opportunity or healthy futures.

The Social Innovation Fund awards funds to grantmaking institutions (“intermediaries”) with a track record of identifying, supporting and investing in the growth of promising nonprofit organizations. Each grantmaker is required to match its federal grant (grants ranged from \$1 million to \$10 million each in the initial round) dollar-for-dollar, in cash,

and then regrant the funding to nonprofit organizations it has selected through an open and competitive process.

The nonprofit “subgrantees” selected by the intermediaries must operate programs to improve measurable outcomes in one or more of the Fund's designated issue areas and also are required to generate a dollar-for-dollar cash match for their grants. As a result, the Social Innovation Fund provides leverage by aggregating philanthropic and government resources so that the most effective approaches can be expanded to reach more people in need and key lessons can be captured and broadly shared.

To learn more, visit [www.NationalService.gov/Innovation](http://www.NationalService.gov/Innovation).

**Be flexible.** Government priorities can change. Political pressures, elections or the appointment of new leaders and staff at government agencies can result in changes in program focus, new and different requirements, reduced budgets or even the cancellation of entire programs.

The grantmakers GEO spoke with said that a key to success in working with the federal government through the Social Innovation Fund and other programs is flexibility. “You have to go into this work knowing that you may have to adapt along the way,” said Gair.

The board of a grantmaking organization, in particular, should understand that decisions often have to be made quickly and the timetable might not conform to the normal board calendar. In addition, in the event that government priorities *do* change, grantmakers should make sure they are ready to take on a long-term commitment to this work, with or without the government as a partner.

**Learn more about government processes and roles.** For many grantmakers, working with the federal government will be an entirely new experience. Grantmakers can help ensure a successful partnership by nurturing a solid in-house understanding of government processes and roles. At least one person in the grantmaking organization should be charged with having a detailed understanding of the grant program, including all requirements and deadlines. REDF, for example, is going to staff up for its Social Innovation Fund work by hiring a full-time contracts and grants manager.

In the same way that nonprofits can benefit from forging close working relationships with their funders’ program officers and other staff, grantmakers should make every effort to get to know key government contacts and learn more about their roles and the work they do. This can help ensure that grantmakers have access to the information and answers they need to make their work a success.

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## A Different View: Shifting from Grantmaker to Grantee

An important benefit (or challenge, depending on how you see it) of working as an intermediary with the Social Innovation Fund is experiencing what it is like to be on the receiving end of the grantmaking process.

All of the grantmakers GEO spoke with said their experience with the Social Innovation Fund had, to varying degrees, opened their eyes to the challenges facing nonprofit organizations that rely on grants from government and philanthropic institutions. They said the experience sensitized them to the need to reduce administrative requirements on grantees wherever possible so they can focus on mission-related work. “This has made us much more aware of the impact of the requests, the policies, the procedures and the processes that funders subject their grantees to,” said REDF’s Gair.

# Key Capacity Areas to Consider

In the GEO interviews, grantmakers identified several specific capacity areas where working as a Social Innovation Fund intermediary might place special demands on grantmaking organizations and their staffs.

**Communications.** As noted above, working with the federal government can bring added visibility to a grantmaker's work, which places added demands on an organization's communications staff. In addition, working with the government can add time to standard tasks such as issuing press releases or coordinating grant announcements. Gair cited the "multiple layers of approval" needed to ensure the appropriate sign-offs on important announcements, with the Social Innovation Fund, the REDF board, and staff and subgrantees all involved. "It's the nature of the work that the government is going to want to review the way we are talking about this work, and we know that will require more time," she said.

**Fundraising.** The Social Innovation Fund requires intermediaries to match their federal grants dollar-for-dollar, in cash. This year (fiscal year 2011), Social Innovation Fund awards will be in the range of \$1 million to \$7 million and intermediary applicants must demonstrate the ability to meet 50 percent of their match requirement at the time of application. Moreover, matching funds must be unrestricted new or existing dollars. They cannot be previously-obligated funding that is redirected or certain types of funds, such as other federal grants. Grantmakers are used to giving money away, so raising funds from other sources to meet the federal match requirement can be a challenge. "One of the big challenges for us was assessing if, and to what extent, the current economic environment would impact our ability to raise the matching funds," said Ferree. Adding to the fundraising challenge is the added dollar-for-dollar match requirement for nonprofit subgrantees, meaning that grantmakers need to believe in (and, possibly, invest in) the fundraising capacity of the nonprofits they are supporting.

**Evaluation and Monitoring.** It is likely that participating in the Social Innovation Fund will require grantmakers to engage in evaluation and grant monitoring at a level they may not have experienced before. The Social Innovation Fund requires the use of data and evaluation tools by both intermediaries and subgrantees to validate their effectiveness and support the replication and expansion of their program. Intermediaries must implement evaluation plans that use the most rigorous evaluation methodologies that are appropriate for achieving a moderate to strong base of evidence about what works, for making program improvements and for informing future investments.

AIDS United has elected to bring in outside evaluation consultants to ensure an independent evaluation. But Ferree advised that grantmakers should not contract out all of the evaluation work. "You need someone in-house who understands evaluation and the rigor associated with this kind of work," she said. In addition, Social Innovation Fund grantees are responsible for ensuring that nonprofit subgrantees are in compliance with federal policies. "We have always been very serious in our monitoring of the organizations we work with, but the federal piece adds a different level of complexity and responsibility," said Rutland.

**Accounting and auditing.** Because recipients are managing taxpayer dollars, federal grants come with a variety of requirements related to accounting systems and audits. In 2012, for example, VPP will undergo an A-133 audit, which is required of all organizations that receive more than \$500,000 per year in federal funds. The prospect of the audit, together with the requirements associated with its grant award, have prompted VPP to take steps to refine its accounting systems. As an example, the grantmaker restructured its QuickBooks chart of accounts so it can more specifically track the flow of funds associated with the federal government grant (including both draws and monies raised to meet the VPP match requirement). In addition, all VPP staff now fill in time sheets so the organization can track hours on the federal grant and other projects. "Even though we already had solid policies and procedures in place, we knew from the start that the documentation requirements associated with federal awards can be stringent, so we have taken extra steps to be prepared and in full compliance," said Rutland.



# CONCLUSION

Participating in the Social Innovation Fund can be a great strategic choice for grantmakers seeking to broaden their impact on the issues they care about. By partnering with the federal government, the 11 grantmakers in the Social Innovation Fund’s inaugural class are poised to expand their work in ways that will directly benefit thousands of people in communities across the nation. GEO encourages other grantmakers to consider following their example. Among the keys to success in this work are making sure there is a good fit between the government’s interests and goals and the grantmaker’s mission, and strengthening the capacity of the grantmaking organization (and, as appropriate, its subgrantees) to deal with the added demands and requirements associated with the program.

# ABOUT SCALING WHAT WORKS

Launched in 2010, *Scaling What Works* is a multiyear initiative of Grantmakers for Effective Organizations to expand the number of grantmakers and public sector funders that are working together to broaden the impact of high-performing nonprofits. Through *Scaling What Works*, GEO will offer training, networking opportunities, and a host of tools and resources to better equip grantmakers to help the nonprofit organizations they support to plan, adapt and grow their impact in creating sustainable benefits for people, their communities and our planet. GEO is a community of more than 2,600 individuals representing 360 grantmakers that are challenging the status quo in philanthropy to help nonprofits achieve more. For more about GEO and *Scaling What Works*, visit our Web site at [www.geofunders.org](http://www.geofunders.org).

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Carla Javits, president

Cynthia Gair, managing director of programs

**Venture Philanthropy Partners — [www.vpppartners.org](http://www.vpppartners.org)**

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# Additional Resources for Social Innovation Fund Applicants

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**Corporation for National and Community Service,**

*Social Innovation Fund home page.* <http://www.nationalservice.gov/about/programs/innovation.asp>

**Corporation for National and Community Service,**

*Social Innovation Fund Notice of Funding Opportunity (fiscal year 2011).*  
[http://www.nationalservice.gov/pdf/11\\_0228\\_sif\\_nofo.pdf](http://www.nationalservice.gov/pdf/11_0228_sif_nofo.pdf)

**Council on Foundations,**

*The Essentials for Collaboration between Foundations and Government.*  
<http://ppp.cof.org/cms/wp-content/uploads/2009/10/Essentials-of-Collaboration-with-Govt.pdf>

**Council on Foundations,**

*Resources to Assist 2011 Social Innovation Fund Applicants.*  
[http://ppp.cof.org/news/resources-to-assist-2011-social-innovation-fund-applicants\\_2591/](http://ppp.cof.org/news/resources-to-assist-2011-social-innovation-fund-applicants_2591/)

**Council on Foundations,**

*What Foundations Need to Know about Federal Funds.* <http://ppp.cof.org/research-data/what-foundations-need-to-know-about-federal-funds/>

**Grantcraft,**

*Working with Government: Guidance for Grantmakers.* <http://www.grantcraft.org/index.cfm?fuseaction=Page.ViewPage&pageId=1547>

**Venture Philanthropy Partners,**

*Reflections on the Journey to Launch youthCONNECT and Advice for Potential SIF Applicants.* <http://www.vpppartners.org/learning/papers-and-perspectives/presidents-perspective/what-year>